

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:)	CHAPTER 11 CASES
)	
DIVERSE ENERGY SYSTEMS, LLC)	CASE NO. 15-34736
)	
SCRIBNER INDUSTRIES, INC.)	CASE NO. 15-34737
)	
DIVERSE ENERGY SYSTEMS, LLC)	CASE NO. 15-34738
d/b/a LEAN TECHNOLOGIES, LLC)	
)	
ROULY, INC.)	CASE NO. 15-34739
)	
Debtors.)	Joint Administration Pending
)	
)	Emergency Hearing Requested
)	

**DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER
PURSUANT TO RULE 1015(b) OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE DIRECTING JOINT ADMINISTRATION
OF CASES FOR PROCEDURAL PURPOSES ONLY**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Diverse Energy Systems, LLC ("Diverse Holdings"), Scribner Industries, Inc. ("Scribner"), Diverse Energy Systems, LLC d/b/a Lean Technologies, LLC ("Diverse"), and Roully, Inc. ("Roully" and, collectively with Diverse Holdings, Scribner and Diverse, the "Debtors"), as debtors and debtors in possession, file this emergency motion for entry of an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") directing the joint administration of their respective chapter 11 cases (the "Motion") and respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

A. Procedural Background

2. On September 7, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief in this Court under chapter 11 of the Bankruptcy Code.

3. The Debtors continue to operate their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. To date, no creditors' committee has been appointed in the Debtors' cases by the United States Trustee. Further, no trustee or examiner has been requested or appointed in these chapter 11 cases.

B. The Debtors' Business

1. Corporate Structure

5. Diverse Holdings was formed in November 2011 as a Texas limited liability company. Diverse Holdings acquired Diverse, a North Dakota company, in 2012 and is the sole owner and direct parent of Diverse. Since Diverse Holdings' acquisition of Diverse, all of the Debtors' business, including subsequent acquisitions, has been conducted through Diverse, while Diverse Holdings has remained a holding company. Diverse is the sole owner and direct parent of Scribner, which, in turn, is the sole owner and direct parent of Rouly.

6. In addition to Scribner, Diverse also directly owns Acquisitions Finance Group, Inc., which is the sole owner and direct parent of ITS Engineered Systems, Inc. ("ITS").¹ Thus, Diverse is the indirect parent of ITS.

2. Nature of the Debtors' Business

7. Diverse is a provider of integrated solution platforms for upstream and midstream customers in the natural gas production, oil production, and water treatment industries. Diverse manufactures new oil and gas field service equipment to be sold on a single unit basis or as a group. Diverse also manufactures certain types of equipment, primarily artificial lift, power generation and vapor recovery units, to be used in its rental fleet. Regardless of whether a customer chooses to lease or purchase the equipment, it is configured to appropriately accommodate the characteristics of the specific application it will service. Additionally, Diverse offers support and maintenance service to its customers for both leased and owned equipment. Headquartered in Houston, Texas, Diverse has personnel and facilities in every major oil and gas basin and over 250,000 sq. ft. of production space with manufacturing facilities in Hobbs, New Mexico, Katy and Odessa, Texas, and Grafton, North Dakota.

8. At the close of 2012, Diverse acquired Scribner and Rouly, which provided it with a 5,000 square foot manufacturing facility and office in Odessa, Texas, and a 10,000 square foot manufacturing facility in Hobbs, New Mexico, to support the Debtors' operations in the Permian

¹ In addition to ITS, Acquisitions Finance Group, Inc. also owns an entity called ITS Water Solutions, Inc.

Basin.

9. In order to build an infrastructure capable of supporting substantial continued revenue growth, Diverse made significant investments in SG&A and facilities in 2012, 2013 and 2014. As the Company was poised to take advantage of an increase in revenue related to the boom in U.S. fracking, the industry slowed as the price of oil plummeted, leaving Diverse with an inflated cost structure for the current revenue level. As a result, the Debtor's management has been forced to make difficult but necessary adjustments to rightsize the Company, reducing personnel and employee benefits, in order to conserve cash.

RELIEF REQUESTED AND BASIS FOR RELIEF

10. By this Motion, the Debtors seek, pursuant to Rule 1015(b) of the Bankruptcy Rules, the joint administration of the Debtors' chapter 11 cases for procedural purposes.

11. Bankruptcy Rule 1015(b) provides, in relevant part:

If a joint petition or two or more petitions are pending in the same court by or against ... a debtor and an affiliate, the court may order a joint administration of the estates.

Fed. R. Bankr. P. 1015(b). The Debtors are "affiliates" as that term is defined in section 101(2) of the Bankruptcy Code, in that Diverse Holdings is the sole owner and direct parent of Diverse North Dakota, and Diverse North Dakota is the sole owner and direct parent of Scribner, which, in turn, is the sole owner and direct parent of Rouly. Accordingly, this Court is authorized to grant the relief requested herein. Further, Bankruptcy Courts have previously granted similar relief in other Chapter 11 cases. See, e.g., *In re Heartland Automotive Holdings, Inc., et al.*, Case No. 08-40047 (Bankr. N.D. Tex. January 9, 2008); *In re Pilgrims Pride Corp., et al.*; Case No. 08-45664 (Bankr. N.D. Tex. Dec. 3, 2008); *In re Mirant Corp., et al.*, Case No. 03-46590 (Bankr. N.D. Tex. July 16, 2003); and *In re Kitty Hawk, Inc., et al.*, Case No. 07-44536 (Bankr. N.D. Tex. Oct. 17, 2007).

12. Joint administration of the Debtors' chapter 11 cases will expedite the administration of these cases and reduce administrative expenses without prejudicing any

creditor's substantive rights. For example, joint administration will permit the Clerk of the Court to utilize a single general docket for these cases and combine notices to creditors of the Debtors' respective estates and other parties in interest. The Debtors anticipate that numerous notices, applications, motions, other pleadings and orders in these cases will affect all of the Debtors. Joint administration will permit counsel for all parties in interest to include the Debtors' respective cases in a single caption on the numerous documents that will be filed and served in these cases. Joint administration also will enable parties in interest in each of the above-captioned chapter 11 cases to be apprised of the various matters before the Court in these cases.

13. The entry of an order of joint administration will: (a) significantly reduce the volume of paper that otherwise would be filed with this Clerk of this Court; (b) simplify for the Office of the United States Trustee the supervision of the administrative aspects of these chapter 11 cases; (c) render the completion of various administrative tasks less costly; and (d) minimize the number of unnecessary delays associated with the administration of these chapter 11 cases. Additionally, because this is not a motion for the substantive consolidation of the Debtors' estates, the rights of parties in interest will not be prejudiced by the proposed joint administration of these cases because each creditor may still file its claim against the estate of the Debtor it possesses a claim against. In fact, the rights of all creditors will be enhanced by the reduction in costs resulting from joint administration.

14. The Debtors propose that the following activities be joined for administrative purposes only:

- (a) All of the Debtors shall file separate Schedules of Assets and Liabilities and Statement of Financial Affairs and, to the extent applicable, List of Equity Security Holders;
- (b) One disclosure statement and plan of reorganization may be (but is not required to be) filed for all of the Debtors' cases by any plan proponent;
- (c) Hearings in these jointly administered cases shall be joint hearings unless otherwise specified; and

(d) One consolidated docket shall be kept by the Clerk, with separate claims registers for each Debtor's case.

15. The Debtors submit that joint administration of the above-captioned cases is in the Debtors' best interest, as well as those of their respective estates, creditors, and other parties in interest.

LIMITED NOTICE

16. Notice of this Motion has been provided to (i) the office of the United States Trustee for the Southern District of Texas, (ii) the holders of the twenty (20) largest unsecured claims against the Debtors, (iii) the Debtors' secured lender(s), and (iv) all other parties requesting notice in these chapter 11 cases. The Debtors respectfully submit that no other or further notice need be provided.

PRAYER

WHEREFORE, the Debtors respectfully request that this Court enter an order providing for the joint administration of these chapter 11 cases for procedural purposes and the consolidation of mailing lists in each of the cases for future noticing requirements. The Debtors also request such other and further relief to which they may be entitled.

Dated: September 7, 2015

Respectfully submitted,

/s/ J. Robert Forshey
J. Robert Forshey
State Bar No. 07264200
Suzanne K. Rosen
State Bar No. 00798518
Clarke V. Rogers
State Bar No. 24052901
FORSHEY & PROSTOK, L.L.P.
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bforshey@forsheyprostok.com
srosen@forsheyprostok.com
crogers@forsheyprostok.com

PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served upon the parties listed on the attached service list via United States Mail, first class postage prepaid, on September 8, 2015 and via ECF electronic Notice, if available, on September 7, 2015.

/s/ J. Robert Forshey
J. Robert Forshey

CERTIFICATE OF ACCURACY

The undersigned hereby certifies that the facts contained in the foregoing Motion are true and correct to the best of his knowledge.

/s/ Todd A. Hass
Todd A. Hass
Authorized Representative of the Debtors

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SERVICE LIST

Service List

**Diverse Energy Systems, et al.
#5759**

**Diverse Energy Systems, LLC, et al.
Attn: Todd A. Hass, CFO
1301 McKinney, Suite 3300
Houston, TX 77010**

**Office of the U.S. Trustee
515 Rusk Ave., Suite 3516
Houston, TX 77002**

**IRS – U.S. Treasury
PO Box 7346
Philadelphia, PA 19101**

**National Oilwell Varco, L.P., - Mfg.
10000 Richmond Avenue, Suite 100
Houston, TX 77042**

**Howard Operating – HEP
17806 IH-10 West, Suite 210
San Antonio, TX 78257**

**Greatwide Dallas Mavis, LLC
PO Box 405828
Atlanta, GA 30384-5828**

**Mustang CAT Power Systems
12800 Northwest Freeway
Houston, TX 77040**

**Jim Anderson
272 Edenhold Dr. NW
Calgary, Alberta T3A4A4
CANADA**

**Ratner Steel Supply Company
MI14
P.O. Box 9201
Minneapolis, MN 55480-9201**

**Murphy Industries
Dept. 96-0494
Oklahoma City, OK 73196-0494**

**United Holdings LLC
dba Buck's Engines
PO Box 731595
Dallas, TX 75373-1595**

**CGSI
PO Box 941417
Houston, TX 77094**

**Pannell Kerr Forster
5847 San Felipe, Suite 2400
Houston, TX 77057-3092**

**StrongFab Solutions, Inc.
P.O. Box 41266
Houston, TX 77241**

**FMC Technologies Measurement Solutions,
Inc.
14121 Collections Center Drive
Chicago, IL 60693**

**Knighten Machine & Service, Inc.
dba Knighten Industries
3323 N. County Rd. W.
Odessa, TX 79764**

**Twin Stars Compression, LLC
100 Iowa
Bloomfield, NM 87413**

**Ventech Process Equipment, Inc.
PO Box 4261
Pasadena, TX 77502**

**Erwin Caraballo
6020 NW 99th Ave., Suite 308
Doral, FL 33178**

**Texas Industrial Engine Parts, Inc.
PO Box 590
George West, TX 78022**

**World Wide Electric Corp.
3540 Winton Place
Rochester, NY 14623**

**Houston Global Heat Transfer
14446 Smith Rd.
Humble, TX 77396**

**George Fort
Ave. 3G No 71-37
Maracaibo, Venezuela**

**Industrial Piping Specialists Inc.
P.O. Box 581270
Tulsa, OK 74158**

**Command Center, Inc.
P.O. Box 951753
Dallas, TX 75395-1753**

**Westair-Praxair Distribution
dba West Air Gas & Equipment
PO Box 1339
Abilene, TX 79604**

**Blackmer, Division of Dover Energy
1809 Century SW
Grand Rapids, WI 49503**

**Robert D. Duncan
dba DK Trucking
PO Box 13378
Odessa, TX 79768**

**General Steel Warehouse, Inc.
P.O. Box 2037
Lubbock, TX 79408**

Angus Measurement Systems, LP
PO Box 14440
Odessa, TX 79768

Elliott Electric Supply Inc.
PO Box 630610
Nacogdoches, TX 75963

Quail Energy Services, LP
PO Box 777
Andrews, TX 79714

Anton Friske
78 Shiloh Rd.
Odessa, TX 79762

Custom Fiberglass Inc.
PO Box 70
Mills, WY 82644

Precision Welding and Machine, LLC
PO Box 61710
Midland, TX 79711-1710

Valley Industrial X-Ray & Inspection Service, Inc.
APPLUS RTD – VIXR Lockbox
25636 Network Place
Chicago, IL 60673-1256

Enterprise Fleet Management Inc.
PO Box 800089
Kansas City, MO 64180-0089

Mario A. Castro
dba Ace Sheetmetal Production
3237 S. Einstein Ave.
Odessa, TX 79766

Duncan Co.
425 Hoover Street NE
Minneapolis, MN 55413

Hughes Oilfield Transportation, Inc.
2513 N Mercury Ave.
Odessa, TX 79763-1922

Grainger
4110 S County Road 1276
Midland, TX 79706

Ameripride Linen
P.O. Box 3160
Bemidji, MN 56619-3160

Permian Machinery Movers, Inc.
P.O. Box 11281
Odessa, TX 79760-8281

Alerus Financial - Alerus Acct
P.O. Box 6001
Grand Forks, ND 58206

Integral Equipment Leasing, LLC
1301 McKinney, Suite 3300
Houston, TX 77010

Nations Equipment Finance
501 Merritt Seven, 6th Floor
Norwalk, CT 06851

Fountain Partners
50 California St., Suite 3330
San Francisco, CA 94111

City of Grafton
Municipal Utilities
P.O. Box 578
Grafton, ND 58237

Ally
P.O. Box 9001948
Louisville, KY 40290-1948

Liberty Power Holdings, LLC
25901 Network Place
Chicago, IL 60673

City of Odessa
411 West 8th St.
Odessa, TX 79760

AT&T
PO Box 5001
Carol Stream, IL 60197

AT&T Mobility
PO Box 6463
Carol Stream, IL 60197

Direct TV
PO box 78626
Phoenix, AZ 85062

Waste Management
PO Box 4648
Carol Stream, IL 60197

De Lage Landen Financial Services, Inc.
PO Box 41602
Philadelphia, PA 19101-1602

Midcontinent Communications
PO Box 5010
Sioux Falls, SD 57117

SRT Communications
P.O. Box 2027
Minot, ND 58702-2027

TW Telecom
PO box 172567
Denver, CO 80217

Municipal Utilities
PO Box 578
Grafton, ND 58237

CenturyLink
PO Box 91154
Seattle, WA 98111

Polar Communications
P.O. Box 270
Park River, ND 58270

Montana Dakota Utilities Co.
PO Box 5600
Bismarck, ND 58506-5600

Verendrye Electric Cooperative
615 Hwy 52 West
Velva, ND 58790

Comcast Corporation
One Comcast Center, 32nd Floor
Philadelphia, PA 19103

Refuse Disposal Service
1463 Detweiler Dr.
Grafton, ND 58237-2603

The Aldridge Company
P.O. Box 56506
Houston, TX 77256